



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
ELLIOTT COUNTY
SHERIFF'S SETTLEMENT - 1998 TAXES AND
SHERIFF'S SETTLEMENT – 1998 UNMINED COAL TAXES**

June 9, 1999

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
SHERIFF’S SETTLEMENT - 1998 TAXES	3
SHERIFF’S SETTLEMENT – 1998 UNMINED COAL TAXES	4
NOTES TO THE FINANCIAL STATEMENTS	5
COMMENT AND RECOMMENDATION	9
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	13



Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Charles Pennington, Elliott County Judge/Executive

Honorable Ronnie Stephens, Elliott County Sheriff

Members of the Elliott County Fiscal Court

Independent Auditor's Report

We have audited the Elliott County Sheriff's Settlement - 1998 Taxes and the Sheriff's Settlement - 1998 Unmined Coal Taxes as of June 9, 1999. These tax settlements are the responsibility of the Elliott County Sheriff. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the Elliott County Sheriff's taxes charged, credited, and paid as of June 9, 1999, in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Charles Pennington, Elliott County Judge/Executive

Honorable Ronnie Stephens, Elliott County Sheriff

Members of the Elliott County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

- The Sheriff Should Have A Written Agreement To Protect Deposits.

In accordance with Government Auditing Standards, we have also issued a report dated December 13, 1999, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -
December 13, 1999

ELLIOTT COUNTY
 RONNIE STEPHENS, SHERIFF
SHERIFF'S SETTLEMENT - 1998 TAXES

June 9, 1999

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Transferred from Former				
Sheriff	\$ 46,433	\$ 40,391	\$ 137,651	\$ 44,084
Franchise Corporation	5,542	4,485	16,519	
Additional Billings	15	13	44	14
Penalties	1,405	1,226	4,164	1,338
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Gross Chargeable to Sheriff	\$ 53,395	\$ 46,115	\$ 158,378	\$ 45,436
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Credits</u>				
Discounts	\$ 32	\$ 29	\$ 98	\$ 31
Exonerations	405	357	1,212	385
Delinquents:				
Real Estate	5,142	4,501	15,253	4,842
Tangible Personal Property	10	7	29	3
Uncollected Franchise	828	776	2,136	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Credits	\$ 6,417	\$ 5,670	\$ 18,728	\$ 5,261
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Tax Yield	\$ 46,978	\$ 40,445	\$ 139,650	\$ 40,175
Less: Commissions *	1,997	1,719	5,586	1,707
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Taxes Due	\$ 44,981	\$ 38,726	\$ 134,064	\$ 38,468
Taxes Paid	44,905	38,657	133,833	38,394
Refunds (Current and Prior Year)	76	69	231	74
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Due Districts				
as of Completion of Fieldwork	\$ 0	\$ 0	\$ 0	\$ 0
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

4.25% on \$ 127,598
 4% on \$ 139,650

The accompanying notes are an integral part of the financial statements.

ELLIOTT COUNTY
 RONNIE STEPHENS, SHERIFF
SHERIFF'S SETTLEMENT – 1998 UNMINED COAL TAXES

June 9, 1999

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Sheriff's Official Receipt for Unmined Coal	\$ 61	\$ 54	\$ 185	\$ 59
<u>Credits</u>				
Discounts	\$ 1	\$ 1	\$ 2	\$ 1
Delinquents	24	21	73	23
Total Credits	\$ 25	\$ 22	\$ 75	\$ 24
Net Tax Yield	\$ 36	\$ 32	\$ 110	\$ 35
Less: Commissions *	1	1	5	2
Net Taxes Due	\$ 35	\$ 31	\$ 105	\$ 33
Taxes Paid	35	31	105	33
Due Districts as of Completion of Fieldwork	\$ 0	\$ 0	\$ 0	\$ 0

* Commissions:

4.25% on \$ 103

4% on \$ 110

The accompanying notes are an integral part of the financial statements.

ELLIOTT COUNTY
NOTES TO THE FINANCIAL STATEMENTS

June 9, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The depository institution has made such a pledge, and the depository institution's board of directors or loan committee approved the pledge. However, the depository institution did not have a written agreement with the Sheriff.

ELLIOTT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 9, 1999
(Continued)

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1998. Property taxes were billed to finance governmental services for the year ended June 30, 1999. Liens are effective when the tax bills become delinquent. The collection period for these assessments was December 4, 1998 through April 30, 1999.

D. Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 1998. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was December 1, 1998 through April 30, 1999.

Note 4. Interest Income

The Elliott County Sheriff earned \$256 as interest income on 1998 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was used to operate the Sheriff's office.

COMMENT AND RECOMMENDATION

ELLIOTT COUNTY
RONNIE STEPHENS, SHERIFF
COMMENT AND RECOMMENDATION

June 9, 1999

STATE LAWS AND REGULATIONS:

The Sheriff Should Have A Written Agreement To Protect Deposits

The Sheriff maintained deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). The Sheriff had a bank balance of \$144,436; FDIC insurance of \$100,000; and securities pledged of \$530,000 as of January 6, 1999. Even though the Sheriff obtained collateral of \$530,000, the collateral was not evidenced by a written agreement. We recommend the Sheriff enter into a written agreement with the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Management's Response:

We have a signed contract for the next year.

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Charles Pennington, Elliott County Judge/Executive
Honorable Ronnie Stephens, Elliott County Sheriff
Members of the Elliott County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Elliott County Sheriff's Settlement - 1998 Taxes, and the Sheriff's Settlement - 1998 Unmined Coal Taxes as of June 9, 1999, and have issued our report thereon dated December 13, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Elliott County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable Charles Pennington, Elliott County Judge/Executive
Honorable Ronnie Stephens, Elliott County Sheriff
Members of the Elliott County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
December 13, 1999

